

1 AN ACT relating to the acquisition and ownership of real property by a foreign
2 principal.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 381 IS CREATED TO
5 READ AS FOLLOWS:

6 (1) As used in this section:

7 (a) "Cabinet" means the Cabinet for Economic Development;

8 (b) "De minimis indirect interest" means ownership of registered equities in a
9 publicly traded company, and the ownership interest is either:

10 1. Less than five percent (5%) of any class of registered equities or less
11 than five percent (5%) in the aggregate in multiple classes of
12 registered equities; or

13 2. A noncontrolling interest in an entity controlled by a company that is
14 both registered with the United States Securities and Exchange
15 Commission as an investment adviser under the Investment Advisers
16 Act of 1940, 15 U.S.C. sec. 80b-1 et seq., as amended, and is not a
17 foreign entity;

18 (c) "Fiduciary" has the same meaning as in KRS 131.010;

19 (d) "Foreign agent" has the same meaning as in 18 U.S.C. sec. 1839;

20 (e) "Foreign business" has the same meaning as in 26 C.F.R. sec. 301.7701-5;

21 (f) "Foreign principal" means a nonresident alien individual, foreign
22 business, foreign agent, trustee, or fiduciary who has a legal relationship
23 with or is legally bound to take instruction from or execute decisions for the
24 government of any proscribed country referenced in 15 C.F.R. sec. 791.4, as
25 amended;

26 (g) "Nonresident alien individual" has the same meaning as in 26 C.F.R. sec.
27 1.871-2; and

1 (h) "Trustee" has the same meaning as in KRS 218A.405.

2 (2) Notwithstanding any other provision of law to the contrary, a foreign principal
3 shall not directly or indirectly own, have a controlling interest in, or acquire by
4 purchase, grant, devise, or descent any interest, except a de minimis indirect
5 interest, in real property located in the Commonwealth of Kentucky.

6 (3) A foreign principal that directly or indirectly owns or acquires any interest in real
7 property located in this Commonwealth before the effective date of this Act may
8 continue to own or hold the real property, but shall not purchase or otherwise
9 acquire by grant, devise, or descent any additional real property located in the
10 Commonwealth.

11 (4) (a) A foreign principal shall register with the cabinet if the foreign principal
12 owned or acquired an interest, other than a de minimis indirect interest, in
13 real property located in this Commonwealth before the effective date of this
14 Act. The cabinet shall, by promulgation of an administrative regulation in
15 accordance with KRS Chapter 13A, establish a form for the registration
16 required under this subsection. The form shall be available on the cabinet's
17 website and shall include, at a minimum, the following:

18 1. The name of the owner of the real property; and
19 2. The address of the real property, the property valuation
20 administrator's parcel identification number, and the property's legal
21 description.

22 (b) A foreign principal that fails to timely file a registration with the cabinet
23 shall be subject to a civil penalty of one thousand dollars (\$1,000) for each
24 day that the registration is not timely filed or is incomplete. A foreign
25 principal shall register a property interest owned before the effective date of
26 this Act by December 31, 2025. The registration shall be considered
27 untimely after January 31, 2026. The cabinet may place a lien against any

1 unregistered real property for the unpaid balance of any penalties assessed
2 under this paragraph.

3 (5) Notwithstanding subsections (2) and (3) of this section, a foreign principal may
4 acquire real property or any interest in real property located in this
5 Commonwealth on or after the effective date of this Act by devise or descent,
6 through the enforcement of security interests, or through the collection of debts,
7 provided that the foreign principal sells, transfers, or otherwise divests itself of
8 the real property within three (3) years after acquiring the real property.

9 (6) If a person has reason to believe that a violation of this section may have
10 occurred, the person may refer evidence of noncompliance to the Office of the
11 Attorney General, who shall investigate the evidence for violations of this section.
12 The Office of the Attorney General may bring an action pursuant to KRS Chapter
13 15 to enforce the provisions of this section.

14 (7) (a) If the court finds that real property has been purchased or acquired in
15 violation of this section, then the court shall declare the real property
16 escheated to the Commonwealth and order the sale of the real property in
17 the manner provided by law for the judicial foreclosure of a mortgage on
18 real estate for default of payment. After the Office of the Attorney General
19 has been reimbursed for all actual costs incurred from the enforcement of
20 this provision, the proceeds of the sale of the real property pursuant to this
21 paragraph through judicial foreclosure shall be disbursed in the following
22 order:

23 1. Payment of delinquent ad valorem taxes;

24 2. Payment to mortgage and other lien holders, in the priority determined
25 by the court; and

26 3. Deposit in the budget reserve trust fund.

27 (b) At any time during the proceeding, the Office of the Attorney General may

1 seek an ex parte order of seizure of the real property upon a showing that
2 the defendant's control of the real property constitutes a clear and present
3 danger to the state.

4 ➔Section 2. KRS 381.990 is amended to read as follows:

5 (1) Any officer who certifies an abstract in violation of KRS 381.240 or 381.250 shall
6 be fined not less than one hundred dollars (\$100) nor more than five hundred
7 dollars (\$500) for each offense. In addition to such fine, the officer shall be liable
8 personally and on his official bond to the person in possession of the lands, and to
9 any and all other persons aggrieved thereby, to an action for damages sustained by
10 such persons by reason of such certificate.

11 (2) Any person who violates any of the provisions of KRS 381.690 to 381.710 shall be
12 fined not less than one hundred dollars (\$100) nor more than five hundred dollars
13 (\$500) for each offense.

14 (3) Any person who fails to comply with the provisions of KRS 381.780 shall be guilty
15 of a misdemeanor and shall be fined twenty-five dollars (\$25) for each offense.
16 Each day that the violation continues shall constitute a separate offense.

17 (4) Any person or corporation who violates KRS 381.697 shall be subject to a fine of
18 not less than twenty-five dollars (\$25) nor more than two hundred fifty dollars
19 (\$250).

20 (5) Any person who fails to comply with any of the provisions of KRS 381.860 may be
21 fined not more than one hundred dollars (\$100) per day for each offense, and the
22 county attorney and the Attorney General may prosecute the violator. In addition to
23 the fine, the violator may be liable personally to any and all persons aggrieved by
24 the violation and subject to an action for damages, plus court costs and plaintiffs'
25 attorneys' fees.

26 (6) (a) A foreign principal who purchases or acquires real property or any interest
27 in real property in violation of Section 1 of this Act shall be guilty of a Class

1 **D felony.**

2 **(b) Any person who knowingly sells real property or any interest in real**
3 **property to a foreign principal in violation of Section 1 of this Act shall be**
4 **guilty of a Class D felony.**

5 ➔Section 3. KRS 381.320 is amended to read as follows:

6 Any alien, not an enemy, may take and hold any personal property except chattels real. If
7 such alien resides within this Commonwealth^[state] he or she may take and hold, subject
8 to the limitations set forth in Section 1 of this Act, any lands for the purposes of
9 residence, or of occupation by him or her or his or her servants, or for the purpose of any
10 business, trade, or manufacture, for as long as he or she remains a resident of the
11 Commonwealth^[state]. An alien so taking and holding shall have like rights, remedies,
12 and exemptions concerning such property as if he or she were a citizen of the United
13 States.